

CHAPTER 2. CONTRACT PAYMENT

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CHAPTER 2. CONTRACT PAYMENT

2.1 OVERVIEW.

- 2.1.1 This chapter sets forth policy, which governs examination, certification and payment of vouchers, invoices, contract financing requests, claims and other payment requests resulting from contracts. This chapter does not provide policy for grants or cooperative agreements.

2.2 POLICY.

- 2.2.1 It is the policy of National Aeronautics and Space Administration (NASA) to process contract payments in accordance with the provisions of contractual documents, the Federal Acquisition Regulation (FAR), the NASA FAR Supplement, and other applicable laws, and regulations as provided within this chapter.
- 2.2.2 NASA will maintain a financial management system that will keep contractors accounting records accurate and in balance from contract execution through closeout, and monitor the causes of late payments and interest penalties incurred.

2.3 AUTHORITIES AND REFERENCES.

- 2.3.1 31 CFR 208, "Management of Federal Agency Disbursements"
- 2.3.2 FAR Part 32. Contract Financing and other Parts as referenced in this chapter.
- 2.3.3 Improper Payments Information Act of 2002, Public Law 107-300
- 2.3.4 National Aeronautics and Space Administration supplement to the Federal Acquisition Regulation (NASA FAR). Version 04.0, effective November 1, 2004.
- 2.3.5 Office of Federal Procurement Policy Act of 1974, Public Law 93-400, as amended by Public Law 96-83
- 2.3.6 Prompt Payment Act, Public Law No 97-177 (31 U.S.C. § 3332)
- 2.3.7 Treasury Financial Manual (TFM) 4-2000. Payment Issue Disbursing Procedures

2.4 ROLES AND RESPONSIBILITIES.

- 2.4.1 NASA Shared Services Center (NSSC):
- A. Maintains contract payment records.
 - B. Examines contracts for information necessary for contract payment.

- C. Ensure that payments to contractors are processed timely and accurately.
- D. Determine that the invoice has been provisionally approved for payment by an agency representative that has been delegated such responsibility.

2.4.2 NASA Center Chief Financial Officer and Deputy Chief Financial Officer:

- A. Ensure that obligations and cost are recorded timely.
- B. Determine that cumulative costs claimed do not exceed the amount of obligations established and reserved to cover the estimated costs of the contract and modifications.

2.5 DEFINITIONS.

- 2.5.1 Administrative Approval. Administrative approvals are written statements by civil service employees attesting to the facts of an individual transaction from personal knowledge.
- 2.5.2 Contract. Contract is defined as a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by 31 U.S.C. § 6301, *et seq.* For discussion of various types of contracts, see FAR Part 16.
- 2.5.3 Central Contractor Registration (CCR) database. The Central Contractor Registration database is the primary Government repository for Contractor information required for the conduct of business with the Government.
- 2.5.4 Electronic Funds Transfer. Electronic Funds Transfer (EFT) is define as any transfer of funds, other than a transaction originated by cash, check, or similar paper instrument that is initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. The term includes Automated Clearing House transfers, Fedwire transfers, and transfers made at automatic teller machines and point-of-sale terminals. For purposes of compliance with 31 U.S.C. § 3332 and implementing regulations at 31 Code of Federal Regulations (CFR) 208, "Management of Federal Agency Disbursements," the term "electronic funds transfer" includes a Governmentwide commercial purchase card transaction.

- 2.5.5 Invoice. Invoice is define as a contractor's bill or written request for payment under the contract for supplies delivered or services performed (also referred to as a voucher).
- 2.5.6 Receiving Report. Receiving report is written evidence that indicates Government acceptance of supplies delivered or services performed (see Subpart 46.6). Receiving reports must meet the requirements of 32.905(c).

2.6 DOCUMENTATION REQUIREMENTS FOR CONTRACT PAYMENTS.

- 2.6.1 Purpose of Contract of Purchase Order. A contract or purchase order serves as documentation of legal obligation that is needed to make payments. The NSSC will maintain contract payment records for those contracts administered at the Center. Contract payment records shall be maintained the appropriate detail to facilitate the accounts payable process. FAR 4.803(c) provides the required contents of the paying office file. Additional payment record contents are provided in Appendix A.
- A. The NSSC examines invoices prior to payment to ensure that the expenditure is authorized by law or regulation and is in accordance with the terms of the applicable agreement. Entitlement or invoice payment includes applicable documentation such as proof of receipt and acceptance of goods or services, receipt of a proper invoice, and verification of all computations. Receipt documentation, such as receiving reports, is maintained to document evidence of receipt of goods. Receiving reports must include, at a minimum, information as required in FAR 32.905(c). The documentation required for a proper invoice is provided in FAR 32.905(b).
 - B. The Fast Pay procedure allows payment prior to verification that supplies have been received and accepted, under the limited conditions listed in FAR 13.402. Post payment audits should confirm acceptance and receipt of supplies; and include matching payment documents with funds validation performed immediately before time of payment.
- 2.6.2 Lost or Destroyed Invoices. When the vendor states that an invoice has been submitted and payment has not been received, a duplicate copy of the original invoice must be obtained from the vendor. The invoice and invoice schedule will be processed through regular channels. Documentation must be maintained with the invoice that provides a full explanation or statement of all facts surrounding the loss or destruction of the original invoice; and a statement that steps have been taken to prevent duplicate payments. The documents must also be conspicuously marked duplicate original to prevent duplicate payment.
- 2.6.3 NASA Vendor Agreements. Invoices are not required when services of a recurring nature are performed under NASA-vendor agreements providing for payments in a definite amount and at a fixed periodic interval. In agreements, which permit payments of this type, appropriate internal controls will be instituted to ensure that the amounts paid are correct, and that

appropriate steps have been taken to prevent duplicate payments. Supporting documentation must be readily available for use by NASA, Government Accountability Office, and audit representatives for DCAA or other agencies, which the responsibility for NASA contract audit has been delegated.

2.7 INVOICE PROCESSING.

- 2.7.1 No payment is made without evidence of a liability and a determination of entitlement. The nature and extent of procedures vary for financing and invoice payments. Entitlement to financing payments shall be determined by contract terms and conditions, including any required approvals by contracting officers, contract administrators, or contract auditors. Entitlement to invoice payments shall include, as applicable, additional determinations such as proof of receipt and acceptance, receipt of a proper invoice, and verification of all computations.
- 2.7.2 Invoicing Discrepancies. Variances may exist between the amount claimed by the payee and the proper amount determined to be payable. NASA shall not alter the payee's name, address, quantity, or unit price of supplies and services stated on the invoices submitted. NASA may adjust the amount claimed, not to exceed \$100, when the claim is less than the full amount due, the payee intends to make a claim for the full amount, and evidence of the intended claim is documented.
- A. If NASA receives goods in excess of the contractual amounts and the contract contains FAR clause 52.212-10, excess quantities up to \$250 may be accepted and retained by the government without payment to the contractor. Quantities in excess of \$250 shall either be returned at the contractor's expense or retained and paid for at the contract unit price. The contracting officer should be contacted and a contract modification must be issued to reflect the adjusted quantity when excess quantities are retained.
- 2.7.3 Advance and Progress Payments. Normally, the payment must not exceed the value of services or articles already received (31 U.S.C. § 3324). However, advance and progress payments are authorized by 10 U.S.C. § 2307. Policies regarding advance and progress payments are contained in FAR 32.4 and 32.5 and NASA FAR Subpart 1832.4 and 1832.5. These types of payments are considered contract financing, 5 CFR 1315, therefore they are not subject to Prompt Payment regulations and interest penalties are not required.
- 2.7.4 Authorization to Pay. Administrative approval of an invoice payment may be accomplished electronically and should include: A) the date of actual receipt of the goods and services at the Center central receiving point or at the location specified in the ordering document unless additional acceptance requirements exist; and B) the date of acceptance and signature of the NASA official duly authorized to accept the goods and services on behalf of the Government. A receiving report may serve as an administrative approval.

- 2.7.5 Defense Contract Audit Agency (DCAA). The DCAA is commonly delegated authority to provisionally approve vouchers on NASA's cost-type contracts. Contractors approved by the DCAA to have adequate billing system internal controls, however, are authorized to submit interim vouchers (contract financing requests and fee vouchers) directly to NASA. Such authorization does not extend to the first and final voucher of a contract.
- 2.7.6 Assignment. A contractor may make an assignment of claims in accordance with FAR 32.8. Payments made to an assignee shall include, as a minimum, the name of the contractor and the contract number. The payee must be indicated as, for example, First National Bank, as Assignee of Jones, Miller and Company, 3rd and Erie Streets, Huntsville, Alabama.
- A. All contracts will be reviewed to determine if payments have been assigned. If the contract has been effectively assigned, payments shall be made to the financial institution pertaining to the assignee, not the contractor/vendor. Payment of moneys due under a contract that has been assigned may not be made to the contractor unless the contract is supported by a properly executed release of assignment instrument.